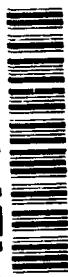


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Executive Research Project
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**Export-Import Bank of the
United States--
Achieving Greater Economic
Competitiveness Through Government
Financing of Exports**

Commander
Charles (Toby) Switzer
Supply Corps, U.S. Navy

Faculty Research Advisor
Professor Fred Meyer

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INTRODUCTION

"As the world's largest economy, the United States has an enormous stake in the future of the global trading system"

John D. Macomber, Former President and Chairman of Eximbank¹

The U.S. Government has several international financing and assistance programs which can advance our strategic economic interests outside the U.S. by increasing our economic competitiveness. Chief among these programs are the U.S. Agency for International Development (AID), the Export-Import Bank (Eximbank), the Commodity Credit Corporation (CCC), the Overseas Private Investment Corporation (OPIC), and the Trade and Development Program (TDP). Each one of these agencies supports a particular national policy and contributes to our overall national strategy. I will be concentrating on the Eximbank since it is the single most important financing institution supporting our capital goods and services exports. Of these agencies, Eximbank is also the only one without a primary interest in assisting developing countries, though by its very nature, it is heavily involved with this area as well.

I will be examining Eximbank - why we have one, the programs and services it offers, related foreign government competition and how Eximbank performs financially. I will also explore some current issues that concern Eximbank and offer policy recommendations.

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INTRODUCTION

"As the world's largest economy, the United States has an enormous stake in the future of the global trading system"

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The U.S. Government has several international financing and assistance programs which can advance our strategic economic interests outside the U.S. by increasing our economic competitiveness. Chief among these programs are the U.S. Agency for International Development (AID), the Export-Import Bank (Eximbank), the Commodity Credit Corporation (CCC), the Overseas Private Investment Corporation (OPIC), and the Trade and Development Program (TDP). Each one of these agencies supports a particular national policy and contributes to our overall national strategy. I will be concentrating on the Eximbank since it is the single most important financing institution supporting our capital goods and services exports. Of these agencies, Eximbank is also the only one without a primary interest in assisting developing countries, though by its very nature, it is heavily involved with this area as well.

I will be examining Eximbank - why we have one, the programs and services it offers, related foreign government competition and how Eximbank performs financially. I will also explore some current issues that concern Eximbank and offer policy recommendations.

WHY AN EXPORT-IMPORT BANK?

"By expanding exports, members of American business and industry will not only increase their profits and their employment rolls but also contribute to improved standards of living for millions of people around the world."

Former President Bush²

Exports are vital to our economic future. Since domestic demand is growing slowly, even stagnating at times, the United States has an everpresent need to find new markets outside of the U.S. to keep our economy growing. Additionally, strong exports give us our strategic global position as a world power as much as, and arguably more than, our strong military capability.

"Our exports are especially important to us. As bad as the recent recession was, it would have gone on for twice as long had it not been for what we able to sell to other nations..."

President Clinton³

Exports are playing an increasingly important role in our Gross Domestic Product (GDP).

As a percentage, exports since the early 70's have contributed a bigger and bigger share of GDP. In fact, 40% of GDP growth since 1987 is attributable to export growth and during 1991 it prevented what otherwise would have been a sharp decrease in GDP.⁴ As our domestic market has demonstrated some stagnation - and has become increasingly vulnerable to foreign competition in industries where we might no longer have a strong comparative advantage - exports of American goods and services (for which the U.S. does maintain comparative advantage) will be critical to maintaining economic growth. Exports are key to our future national well-being!

For the most part, the U.S. is a proponent of free trade. Industries should compete in the market solely on the basis of real market factors such as its products, prices, services, marketing and delivery. However, another important part of trade competition is the financing portion.⁵ Without the availability of credit, on competitive terms, U.S. businesses could be excluded from potentially lucrative overseas markets; markets which can provide new jobs for Americans. Eximbank provides essential financing support by helping both U.S. exporters and foreign buyers of U.S. goods and services obtain the financing required to complete the sale.

WHAT IS THE EXIMBANK?

The Export-Import Bank of the United States is an independent U.S. Government agency that facilitates the sale of U.S. goods and services to foreign buyers by a number of financing

options. Its purpose is to overcome any market imperfections in the financial systems that restrict our exports.

Eximbank was founded in 1934 during the Depression as an institution to aid our export trade.⁶ During this period, private financing capital was virtually non-existent, in the U.S. and overseas, and the U.S. was beginning to have surplus goods production available for sale. Eximbank was designed to provide the financing to facilitate the sale of our exports.

In many ways, Eximbank precepts and purposes are still relevant today. We need to find new markets for our surplus goods and services. Quite often, these new markets are countries where private and foreign government financing are not available.

Reasons for Eximbank's Involvement

There are certain market imperfections that provide the basis for Eximbank to support our export trade. These imperfections include situations such as the economic and political risk of a country. This risk precludes normal commercial financing transactions. Another imperfection could be a competitor country offering low or subsidized financing for their own country's exports. I will further review these two causes of market imperfections.

Commercial Financing is Unavailable

In a lot of developing countries, financial capital is not available to finance their imports. Additionally, their banking systems might not be sophisticated enough to provide loans for

complicated business transactions. However, in a case where a country's own financial systems are not capable of providing loans, U.S. private financial institutions should be able to provide this service. Unfortunately, there has been an increasing reluctance to provide loans to Less Developed Countries (LDCs) because U.S. and other OECD country banks lost substantial amounts of money in the recent third world debt crisis.

If the political and/or commercial risks are such that private banking will not get involved, Eximbank can provide export financing support. Eximbank's programs provide protection by covering against non-payment as a result of political and commercial risk. What is covered under these risk categories are:⁷

Political:

- War
- Cancellation of export or import licenses
- Expropriation, confiscation or interference by the host government
- Transfer risk (Foreign currency inconvertibility, does not cover exchange rate losses)

Commercial:

- Deterioration of buyer markets
- Unanticipated competition
- Buyer insolvency
- Natural disasters

Concessionary Trade Financing is Involved

Eximbank is only one of many Export Credit Agencies (ECA) throughout the world. Most of the major developed countries also provide export credit that is frequently in direct competition with our own. This competition is a normal part of doing business, as long as the credit activity is based on market conditions. However, some of our trade competitors offer subsidized financing and/or "tied" aid credits, whereby the donor country subsidizes the cost of the transaction to the buyer in return for the purchase of its goods. These types of actions subvert free market principles and put our exporters at a distinct disadvantage.⁸ If protests by our government through the U.S. Trade Representative, State or Commerce Departments don't remedy the situation, then Eximbank is authorized to offer its own subsidized financing or use its "war chest" of Congressionally appropriated "tied" aid credits. These actions either stop the use of the other country's concessionary credits or level the playing field to allow our exporters to compete fairly. Since "tied" aid is recognized as a trade-distorting practice, as well as being expensive, the U.S. has pushed for multilateral agreements which limit or end this practice. I will now briefly discuss the ECA competition.

ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD) EXPORT CREDIT ACTIVITY

The OECD countries have established an agreement since the 70's called the "Arrangement on Guidelines for Officially Supported Export Credits." While these guidelines are still a "gentlemen's agreement" with no real enforcement, they do provide a basis for normalizing

credit activity among the ECAs. In February 1992, after intense negotiating by the U.S., the latest version of the agreement was enacted. It attempts to further reduce subsidies in standard export credits as well as reduce the scope of trade-distorting "tied" aid, particularly in commercially viable projects.

Basically the arrangement establishes how interest rates are computed and repayment terms established. The arrangement does not apply to military equipment or to agriculture products. Special guidelines apply to ships, aircraft, nuclear and other power plants. It also establishes a three tier grouping of countries based on wealth as follows:⁹

- Relatively Rich
- Intermediate
- Relatively Poor

These OECD country categories determine the risk factors and interest rates available for exports to each category. The Relatively Poor category is the beneficiary of the lowest rates, to assist developing countries.

To provide some example of the level of export credit activity and how the U.S. compares to the G-7 countries, the following table is provided.

Official Export Credit Volume (Over Five Year Repayment Period)¹⁰

1988/89 (\$M)

U.S. (Eximbank)	2,192
France	7,830
Germany	1,953
Japan	1,196
United Kingdom	1,515
Canada	1,389
Italy	<u>3,522</u>
Subtotal G-7 Countries	19,597
All OECD Countries	\$ 22,690

This table indicates is that, even though the U.S.'s participation was significant - with over \$2 billion in credits - it was less than 10% of the total activity for this category. There are several countries that consider it very important to their national economic strategy to support their exports, especially when considering their country's GDP is smaller than the U.S.'s GDP. Competition for exports is high! I will now provide an overview of how Eximbank operates, and the programs it offers to U.S. exporters to compete worldwide.

HOW DOES EXIMBANK OPERATE?

Eximbank is designed to be a financially self-sufficient organization - that is - its income

should match or exceed its expenses. This is not always the case, as I will explain later.

But for now, I will provide a simplified explanation of how Eximbank's financial operations run and their offered programs.

Financial Operations

Simply put, Eximbank receives their operating funds by borrowing from the U.S. Treasury. They're allowed to borrow at the Treasury's lowest or "preferred" rates. These funds are then used to pay operating expenses or to loan in support of U.S. exports. In turn, Eximbank receives the interest income and return of principal from their loans. Eximbank also charges various fees to their customers. Fees include the following:

- Application (Processing) Fee: \$100
- Exposure Fee: Up-front fee based-on repayment term and transaction risk ranking
- Commitment Fee: A percentage per annum on the undisbursed balance of the guarantee or loan
- Insurance Premium: Risk based premiums

Eximbank Programs

Eximbank offers a wide variety of financing programs depending upon what sector of the export market sector being served and the competitive nature of the negotiations. Their programs fall into two basic categories, credit insurance and customer financing. Within the insurance category, there are at least eight different types of policies providing for specific

types of transaction coverage. All are basically structured to give our exporters and export-supporting financial institutions incentive to fund exports by removing political and commercial risks. I will briefly describe the specific programs within the customer financing category.¹¹

Preliminary Commitments: These are conditional advance offers of financing support from Eximbank obtained by the foreign buyer, U.S. exporter or foreign bank for projects or product sales in the early stages of negotiations. Exporters can use the Preliminary Commitment to assist with attracting lenders and as a marketing tool in their business proposals. Eximbank can provide Preliminary Commitments to several U.S. companies competing for the same foreign project.

Guarantees: Eximbank guarantees provide commercial banking comprehensive coverage against non-payment due to political and commercial risks. These guarantees can cover up to 100% of a loan's principal and interest. Since commercial banking is the primary source of export financing, these guarantees serve to supplement private financing vice compete with it. Commercial bankers are supportive of guarantees since they remove the real and perceived risks of foreign trade, while allowing private commercial banks to earn interest income from their loans. Eximbank can therefore promote more export trade while leaving its limited cash reserves for other projects.

Working Capital Guarantee: Working capital guarantees target small and medium firms

and assist in developing their export trade potential. These guarantees are popular with small and medium firms which usually have more limited access to capital than large firms. This guarantee allows them access to short-term financing to cover cash flow for their export inventory and receivables.

Direct and Intermediary Loans: Direct and Intermediary loans are granted by Eximbank directly to a foreign buyer or a financial institution supporting a sale of U.S. exports. These loans are usually reserved for when there is no financing available from any commercial source or to neutralize interest rate subsidies offered by foreign ECAs. These loans fall into the following three categories:¹²

- Short-Term (less than 1 year) - for products such as raw materials, consumer goods, spare parts and commodities
- Medium-term (1 to 7 years) - for exports of vehicles, machinery, equipment, tooling and project-related services
- Long-term (over 7 years) - for exports of commercial aircraft, nuclear and non-nuclear power plants, manufacturing plants and other large projects.

Projects that involve a longer payback, five years or longer, usually consider Eximbank financing critical because private banks are normally more risk-adverse towards loans that take longer to return their money. Eximbank officially-supported financing of "big ticket" projects with long paybacks can often mean the difference between winning or losing a major sale.

EXIMBANK'S PERFORMANCE

Eximbank has been instrumental in supporting our exports, especially for sales that would have been lost without their active involvement. During fiscal years '91 and '92, Eximbank supported over \$25.5 billion dollars in export activity.¹³ However, there has been a cost involved in recent years with supporting this high level of exports, particularly with respect to Eximbank's supposed self-sufficient status.

Recent Losses and Some Reasons

Eximbank has had nine straight years of loss with a net capital deficiency of over \$6 billion.¹⁴ This deficiency is covered by borrowing additional funds from the U.S. Treasury that are required to continue operations. However, there is a clear need to evaluate the causes of the deficits and prescribe the solutions/corrective actions.

There are two primary reasons for these recent losses.¹⁵ First, Eximbank was caught in a large negative interest spread, resulting from the high interest rates of the late 70's and early 80's. The high interest rates hindered our exports, because trade credit became prohibitively high and the value of the dollar was forced up, which accordingly made our exports cost even more. This put a lot of political pressure on Eximbank as exporters required subsidized loans to sell their products. The end result was Eximbank made loans at interest rates lower than their own cost of borrowing.

Second, Eximbank was hit with many loan defaults and non-performing loans. They had to write-off these problem loans as complete losses or recognize the loss of accrued interest. This problem was common among international financial institutions loaning money to developing countries during the third world debt crisis.

Self-Sufficiency vs. Assistance

Both of the above reasons for Eximbank's losses are attributable to an underlying problem that has existed most of Eximbank's history. The debate is whether or not Eximbank should be a financially self-sufficient agency - as they are chartered - or should they provide assistance to our exporters, irregardless of the cost. Regardless of a resolution of this issue, the political pressure that exporters put on Eximbank can result in funding unprofitable transactions. This is not necessarily a bad national policy. Eximbank does support national strategy by assisting our exporter's ability to compete in the world marketplace. The solution lies in treating transactions providing support beyond real market standards as supporting our national interests, and therefore accept subsidy by appropriated funds. In absence of changing Eximbank's charter, actions have been initiated to alleviate Eximbank's financial condition.

Ongoing Actions/Solutions

The U.S. government has implemented several management actions that should prove beneficial to the self-sufficiency of Eximbank. Besides these actions, the current low interest

rates (a result of national monetary policy), also helps because there is less demand for below-market subsidized interest loans. The following is a quick look at what's being done to prevent future losses.

Federal Credit Reform Act of 1990. This Act was not passed just for Eximbank, but for all government credit agencies. The primary purpose of the Act was to more accurately recognize the true costs of Federal Credit programs.¹⁶ For Eximbank, this means they will now receive an appropriation to charge all subsidized portions of their transaction. If the interest rates or fees Eximbank charges are less than what the market risk calls for, then the difference will reduce their budget authority. This allows Eximbank to account for losses that are incurred subsidizing certain exports, without damaging their financial ability to provide non-subsidized export financial assistance.

The 1990 legislation also provided the basis for interagency cooperation among those agencies providing international financing credits. Instead of having each agency determining and assigning its own country risk categories, Eximbank chairs an interagency working group that will establish more centralized country risk economic categories to be used throughout the government. On the other hand, this will not preclude each agency from developing their own fee structures.

Strengthened OECD Agreements. With the new OECD agreements mentioned earlier, the U.S. has more leverage to enforce international discipline in concessionary financing and

"tied" aid credits. A pro-active monitoring of violations of this agreement, along with a well supported "war chest" to compete with documented cases of "tied" aid trade credits, can restrict the need for this expensive and trade-distorting practice.

Short-term vs. Long-term Borrowing. Eximbank is now pursuing a strategy of more flexible use of borrowing term lengths, to include more short-term financing in order to better match up with the loans being authorized.¹⁷ This strategy should eliminate the still persisting problem of paying high interest rates on the long-term debt incurred from the late 70's and 80's.

More Realistic Exposure Risk Fees. Previous exposure risk fees were inadequate to cover the risk involved with transactions being undertaken. These fees have undergone a complete review and are based upon more realistic market determinants.

CURRENT ISSUES AND RECOMMENDATIONS

I will now touch upon some topical issues that present both concerns of and opportunities for Eximbank. By all means, these are not the only issues facing the bank. However, I believe that they touch upon some important topics with potential impact upon the future viability of Eximbank and its particular contribution to our nation's economic health.

I will be covering the following areas:

- Export assistance to Eastern Europe and the states of the Former Soviet Union (FSU)
- Eximbank support of foreign content in exports
- Potential problem areas resulting from the Federal Credit Reform Act of 1990
- Improving Eximbank's access and service to U.S. businesses

Export Assistance to Eastern Europe and the Former Soviet Union

During 1992, Congress and the Board of Directors of Eximbank were active in lifting Cold War restrictions on Eximbank financing support to the former communist block countries. (See Appendix A for a matrix breakdown of Eximbank programs in the Former Soviet Union and Eastern Europe.) Eximbank would appear to be the right lead agency in providing export credits to FSU and Eastern European nations since private financing organizations are traditionally very conservative about entering newly opened areas. Additionally, there is a distinct lack of sophisticated banking in these countries to provide any major level of trade

financing. However, just because these former restrictions have been lifted, Eximbank has proceeded cautiously in approving financing support for this region. Even though there are tantalizing opportunities for huge new markets, close consideration is warranted before any large-scale projects are approved since there are a number of actual and perceived barriers that affect the risk of reasonable assurance of repayment.

Who will guarantee/sign for the loan? A number of these newly opened countries are still in a state of political flux. Countries have been divided and new controlling political parties are experiencing difficulties in establishing the bureaucracies needed to run the country. Sometimes just getting some official or agency, responsible for the government, has been difficult! Eximbank has been willing to initiate programs, usually starting out with short-term credit insurance, in those countries where they can get the central bank or an entity acting on behalf of the government to be the obligor or guarantor for the transaction.

What will they use to pay? One of the toughest problems facing most of these nations is access to hard currency. Their monetary exchanges have been mostly non-convertible until recently and these countries have lacked the ability to freely trade with the West. This has left them with virtually no hard currency to pay for anything they would like to import from the West, despite a large pent-up internal demand for Western products.

In addition to the sovereign-backed risk transactions mentioned above, Eximbank has been willing to consider transactions with organizations that provide repayment security by sharing

production payments or hard currency export sales as they are received. One of Eximbank's largest potential projects involves nearly \$2 billion in financing with Russia's oil and gas industry. Though this project is still involved in negotiations, it is one way Eximbank can begin to support exports to FSU and Eastern Europe and still have reasonable assurance of repayment.

Where does the U.S. go from here? For U.S. exporters, FSU and Eastern Europe countries' political, economical and monetary problems present exceptionally tough obstacles for moving expeditiously to benefit from this potential large market. Additionally, the FSU and Eastern European countries close proximity to Western Europe gives Western Europeans a natural transportation and historical advantage for their exporters. For example, even though Eximbank has opened all of their financing programs to Hungary, one of the most stable countries in the region, it has proven to be a tough market to crack because of the long-term business relationships Hungary has with Western European exporters.

On the other hand, the U.S. has the advantage because the other ECA's have had a longer involvement with supporting exports in the region, and the recent government changes and poor economy performance has created a substantial non-payment problem. This is limiting Western European countries' ability to support new exports, until they resolve repayment of past trade credits.

Recommendation. The FSU and Eastern European countries are an important strategic

concern to the U.S. and the rest of the world, in addition to being a large export market for our business community. Establishing economic stability in these countries would assist in establishing political stability and preventing further economic deterioration and a possible collapse into anarchy.

In combination with looking at the many other financial aid and assistance programs the U.S. might provide, I would recommend a national policy review to examine whether there should be a special set-aside of additional budget authority to Eximbank, in order to become more aggressive in supporting U.S. export activity to FSU and Eastern European region. This could potentially serve two purposes - one, to increase economic activity and infrastructure in these countries - and two, help assist our exporters with establishing long-term business relationships in these potentially large newly-opened markets.

Eximbank Support of Exports with Foreign Content

Foreign content support involves the financing of that portion of the exporter's total sales price that contains components from a second country. Eximbank normally restricts financing support to only the U.S. content and requires that any export package contain at least 50% U.S. content and that all eligible foreign content must be incorporated into the product and shipped from the U.S., in order to qualify for financing. Eximbank also has a overall limitation on its financing. Only 85% of the total contract price for medium and long-term programs will be supported, which, in defacto, does allows up to 15% foreign

content to be included without actually penalizing the exporter. However, any foreign content portion outside of the defacto 15% must be financed by an alternative source.¹⁸

These restrictions have been put into place to maximize the U.S. content in exports that Eximbank supports, believing it maximizes American jobs and economic benefits.

However, with the increasing globalization of our economy, particularly manufacturing, how many products qualify within Eximbank parameters? When a U.S. firm doesn't meet those parameters, how much does Eximbank's restrictions affect their competitiveness and ability to make a sale?

*"Products have clearly become more global. Now if you
buy an American car, it may be an American car built
with some parts from Taiwan, designed by Germans, sold with
British-made advertisements, or a combination of others in a different mix."*

¹⁹
President Clinton

The U.S. position on foreign content support is one of the most restrictive of all the ECAs. Japan, Germany, U.K., and other ECAs generally take a more liberal view to foreign content. They consider an export sale by one of their businesses to be the primary concern as long as there is some substantial portion of the product originating from within their country. When government financing support is critical to winning the sale, having some portion of the business is better than losing the export altogether.

U.S. Labor organizations have been the chief supporters of continuing Eximbank's foreign content support restrictions, in the belief that it provides incentives to keep jobs from going overseas. While some benefits might be gained in this regard, it does subvert principles of free trade while also putting our U.S. businesses at a distinct disadvantage when competing in the global marketplace. It can also become somewhat shortsighted; if our exports are not competitive, then sales could be lost to other countries, potentially resulting in lost jobs for Americans.

Recommendation. As a way of balancing the need to be responsive to the globalization of American production, Congress and the Administration should review the foreign content support restrictions with a view towards a policy of relaxing these restrictions. This should assist American businesses in remaining competitive. It would also provide the side benefit of reducing the administrative workload on Eximbank associated with the detailed audit of all their transactions to ensure conformity to the foreign content rules.

Concerns about the Federal Credit Reform Act (FCRA) of 1991

The FCRA provided much needed discipline to governmental credit agencies in order to properly account for, and recognize, the true costs of Federal financing programs. On the negative side, however, this appropriation will be a basis for limiting support that Eximbank can provide to exporters in any one year. This could lead Eximbank to tighten their credit policy and make financing allocation decisions that represent the cheapest budgetary cost -

instead of - what serves the most competitive interests of our exporters.²⁰ I will briefly discuss two related problem areas.

Budgetary limits on funding. With the "credit crunch" causing a withdrawal of private financing from the trade market, particularly in developing countries, and with the critical need for export trade to fuel continuing economic growth in our country, Eximbank should be playing a significant role in our country's future economic competitiveness. By placing budgetary limits on Eximbank, Congress could be inadvertently restricting the ability for Eximbank to react to the economic forces driving a greater need for Eximbank financing support.

As a comparison, European and Japanese ECAs have the budgetary flexibility to pursue export transactions based upon need and creditworthiness. Their philosophy is to support exports as crucial to their economic health. When an export transaction meets their qualifications, it can be granted access to their credit programs as an "entitlement." Our Eximbank is more restrictive, both in qualifying for support, as well as, having to consider the budgetary limitations. In the future, this could lead to lost exports since Eximbank might not have the financial resources to support the transaction.

Biased cost of programs. Prior to the FCRA legislation, Eximbank guarantee programs were favored over their direct loan programs. With guarantees, there was no need to borrow from the Treasury, plus, guarantees had no cost unless a loss was later incurred. This also

was in keeping with letting the private market, i.e. commercial banks, handle lending transactions, while Eximbank only provided help to reduce the real and perceived risk. Now, under the FCRA, direct loans are becoming favored because the appropriation cost to Eximbank's budget authority is less than that of their guarantee programs.

This can lead to a bias, by Eximbank, towards the least costly program for budget allocation, instead of being based on what the market considerations are. The increasing use of the direct loan programs, instead of guarantees, can serve to inflame the issue of governmental competition with private financing. It also can be detrimental to exporters since they will have less need to establish working relationships with private banking. These relationships can be instrumental in building their export business in the future, especially in markets where Eximbank financing is not required.

Recommendation. As part of a larger look at how the government can become a more useful partner with industry and support U.S. trade in this global economy, Congress and the Administration need to ensure budgetary mechanisms are in place to sufficiently respond to Eximbank funding requirements, as the demand for export credits grow. This includes a relook at how the cost of Eximbank's financing programs are accounted for under the new budget authority, in order to remove any bias against the guarantee program.

Improving Eximbank's Access and Service

One of the main criticisms of Eximbank effectiveness has been its centralized location in Washington, DC and its administrative slowness.²¹ I will touch briefly on these two areas.

Centralized location. By concentrating in DC, Eximbank made transactions difficult, expensive and time-consuming, especially for businesses outside the area. Plus, its lack of nationwide offices limited its visibility and ability to establish working relationships in business and private banking. Both France and Germany, for example, have an extensive network of regional offices and local banks where financing arrangements can be made.²²

Recently, Eximbank has made some improvements in its accessibility. It has a "City/State" cooperative program in 19 states and 2 cities that help businesses understand and make better use of Eximbank's programs. It has also established five regional offices that formerly handled their insurance programs, but now facilitate handling of all their programs. Other initiatives include their marketing programs and telecommunication access.

These improvements are all steps in the right direction. However, as exports play an increasingly important role for the U.S., and huge new markets open up in newly industrializing countries such as the FSU, China and India, a greater emphasis should be placed on decentralized operations throughout the U.S. Being close to small and medium sized businesses can be important to our future competitiveness.

Improving the bureaucracy. Because of the myriad of government restrictions afflicting Eximbank, they are required to determine the "need" for their financing on a case-by-case basis. This impacts Eximbank's responsiveness, both on the front-end (application-to-approval) and the back end (commitment-to-disbursement) periods. Another example of a government requirement that adds delay to the process (besides the foreign content requirement I mentioned earlier) is the need for businesses to document that Eximbank's financing is required before any transaction can be processed. Again, the other major exporting countries' ECAs consider exports a major part of their economic strategy and provide the necessary funds and administrative freedom to support them.

Eximbank has made many commendable improvements in streamlining their bureaucracy and delegating loan approval authority, but conforming to governmental restrictions will be hard to overcome in any effort to become more timely.

Recommendation. Eximbank should continue with their efforts to become more decentralized. By getting their programs out to all areas of the country, they can greatly enhance business awareness of their programs and get the involvement of local banks that can reach out and assist new potential exporters. Additionally, Congress and the Administration should review their policies that restrict and make Eximbank programs less effective. A change in mindset is required! Eximbank's programs should be looked upon as a form of "entitlement" that can assist our exporters with the ability to compete in the new global marketplace.

SUMMARY

In summary, this paper provides a look at one of the most important international financing programs the U.S. government offers in support of our strategic economic and national interests. Eximbank has been instrumental for nearly sixty years in providing better access to trade financing for our businesses. Eximbank trade financing has allowed them to compete in overseas markets that otherwise might have been denied them. This, in turn, has translated into positive economic benefits at home while increasing our economic influence abroad. All indicators point to the increasing role exports will play as the lifeblood of our future economic growth. Eximbank can play a crucial part in assuring the success of this future. I have recommended several policy issues that can possibly serve to strengthen Eximbank's role in our national economic strategy. These issues are summarized as follows:

1. Review our national policy with the view towards establishing a special augment to Eximbank's budget authority to aggressively support exports to the newly emerging democracies in Eastern Europe and the Former Soviet Union. This could assist with building the economic structure of those countries while giving our businesses the sound groundwork for long-term relationships in a major new marketplace.
2. Review our policies regarding Eximbank foreign content support with a view towards relaxing those restrictions. Though, in the short-run, foreign content rules intend to preserve American jobs, in the long-run, they could actually be damaging

our overseas competitiveness, resulting in lost sales and a respective loss of American jobs.

3. Congress should ensure that Eximbank has the ability to increase their funding authority if the need exists. Eximbank's importance in increasing our export trade should be recognized with government support in funding all necessary and qualified export trade. Additionally, Congress should attempt to remove the bias that exists against the guarantee programs within the budget authority.

4. Eximbank should aggressively pursue continued decentralization of their operations in order to make their programs more accessible. Additionally, there should be a review of governmental restrictions that slow down the responsiveness of Eximbank's operations.

CONCLUSION

In conclusion, these recommendations are a way of suggesting less restrictions and a greater involvement by Eximbank in supporting our export economy. Government financing agencies like Eximbank can be in the forefront of a new government/industry partnership that provides our nation with the capability to compete successfully in the new global marketplace.

APPENDIX A²³

FORMER SOVIET UNION - EXIMBANK PROGRAMS

	SHORT-TERM INSURANCE	MEDIUM-TERM INSURANCE	MEDIUM-TERM LOANS/GUARANTEES	LONG-TERM
ARMENIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
AZERBAIJAN	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
BELARUS	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
GEORGIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
KAZAKHSTAN	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
KYRGYZSTAN	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
MOLDOVA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
RUSSIA	OPEN	OPEN	OPEN	NOT OPEN
TAJIKSTAN	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
TURKMENISTAN	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
UZBEKISTAN	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
UKRAINE	OPEN	NOT OPEN	NOT OPEN	NOT OPEN

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EASTERN EUROPE/BALTICS - EXIMBANK PROGRAMS

	SHORT-TERM INSURANCE	MEDIUM-TERM INSURANCE	MEDIUM-TERM LOANS/GUARANTEES	LONG-TERM
ALBANIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
BOSNIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
BULGARIA	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
CROATIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
CZECHOSLOVAKIA	OPEN	OPEN	OPEN	OPEN
ESTONIA	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
HUNGARY	OPEN	OPEN	OPEN	OPEN
LATVIA	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
LITHUANIA	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
POLAND	OPEN	OPEN	OPEN	NOT OPEN
ROMANIA	OPEN	NOT OPEN	NOT OPEN	NOT OPEN
SLOVENIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN
YUGOSLAVIA	NOT OPEN	NOT OPEN	NOT OPEN	NOT OPEN

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ENDNOTES

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2. Ibid, cover
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13. Export-Import Bank of the United States 1991 Annual Report, p. 3
14. Ibid, p. 44
15. Ibid
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